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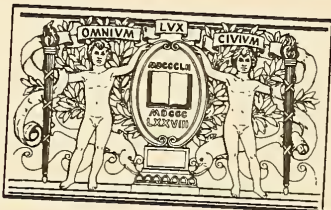


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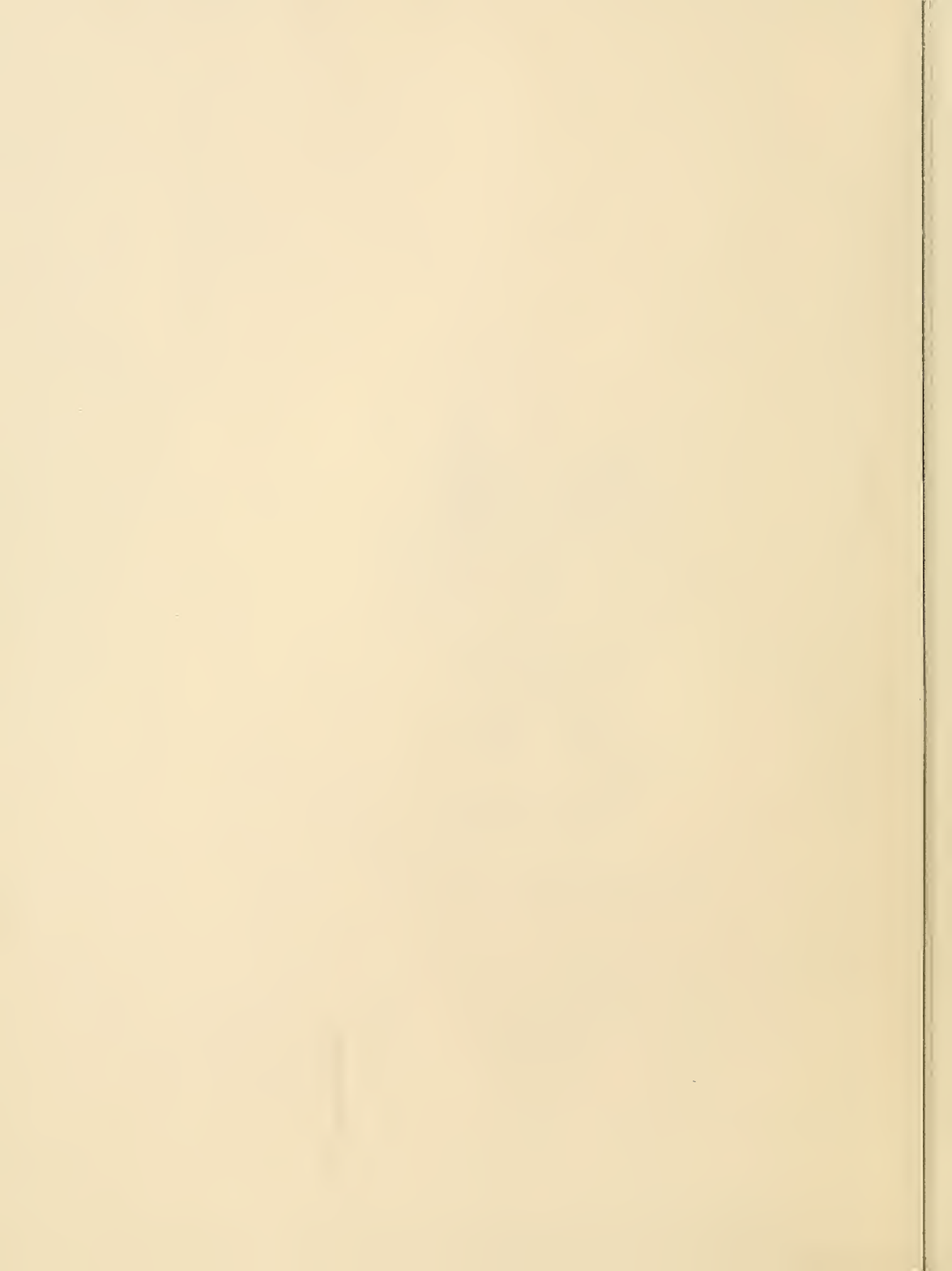
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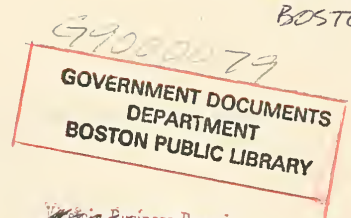






CITY OF BOSTON  
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December 2, 1980

Introduction

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The City of Boston is in the midst of an uncertain financial future. The city faces a significant operating deficit principally due to the unwillingness of the School Committee to control its spending. With the passage of Proposition 2 1/2 there are many difficult financial and programmatic decisions to be made and the projected fiscal 1981 deficit only worsens the situation. The Finance Commission, in this report, has evaluated many of the key financial and administrative aspects of city government including: the tax rate, deficit spending, the city budget, school budget, MBTA costs, debt, increased assessments and the Coopers and Lybrand audit. There are some encouraging signs that the Mayor is serious about addressing the financial management shortcomings in City Hall. For the first time in years he is demanding that department heads live within their budgets and he has formed an oversight committee to follow up on his directions. He has also formed a second group to plan and prepare for implementing Proposition 2 1/2.

However, there are disturbing signs as well with the principal problem being school spending. There is still time to avert a fiscal crisis, but only if the Mayor assumes a realistic position. We remind the Mayor that the city budget went up \$32 million and it would have been \$23 million more without the budget cuts imposed by the City Council. So although we concur with him regarding the poor budgetary record of the School Department we find that his own record is quite similar. We suggest that Mayor White seriously address school spending as he apparently has with city spending. The process should begin by agreeing to a realistic budget for fiscal





1981 and a plan to close schools and reduce the number of teachers and administrators.

Tax Rate

The tax rate for the City of Boston for this fiscal year (1981) has been set at \$272.70. The rate was determined by taking the estimated expenditures of the city (\$842,824,531) for fiscal 1981, deducting the estimated revenues (\$348,851,479) adding an amount for overlay (\$24,702,348) dividing that figure by the assessed valuation of the city and then multiplying by one thousand. Attached as Table A is a basic summary sheet of the figures from which the rate is comprised. However, what the figures mean, as well as which costs are within the cities power to control, is another matter as are the efforts of the city in controlling those costs. The following is a breakdown of estimated expenditures for fiscal year 1981:

City budget	\$355,574,751
County budget	14,132,394
School budget	210,320,920
Debt & increase	90,161,145
MBTA	41,211,568
MDC	4,371,790
Other State assessments	1,895,211
Pensions	76,295,154
Overlay deficit	22,661,580
Tax title costs	1,200,000
1980 deficit	<u>25,000,000</u>
	\$842,824,531

Some of the above expenditures are not fully within the jurisdiction of the city to control and it is important to distinguish the degree of control that the city has on expenditures.



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### City Budget

The financial management of the city is of primary importance. Attached as Table B is a ten year summary of city budget compliance. A more detailed analysis appears in Table C covering the past three years. Many of the costs of city government are to provide basic municipal services but the manner in which such costs are controlled is extremely important. Boston has some very legitimate problems but until it controls its own budget, especially personnel costs and policies, then those other areas will not receive the attention that they merit. The city simply has a poor reputation for controlling costs and until that is changed then it is unlikely that the legislature and the governor will address Boston's problems.

### County Budget

Boston has unfairly assumed all of the cost of Suffolk County government for years. A summary of the county budget is attached as Table D. Chelsea, Winthrop and Revere, although a part of Suffolk County, pay nothing toward its operation. Although that situation has been minimized because of the state assumption of court costs the City of Boston is still being victimized. The state, under the 1978 court reform law was to pay for all the cost of maintenance and operation of the judicial system. However, that has not happened. Of the \$14 million county budget, we estimate that Boston should be receiving a minimum of \$5 million more from the state for the operation of the Suffolk County Court business than is presently the case.

### School Budget

There is no doubt that School Department spending is out of control. A deficit of over \$9 million was incurred last year and the School Committee recently voted to pay \$7 million to vendors for services rendered last year out of the fiscal 1981 budget. The fiscal 1981 school budget picture is dismal. We estimate that unless drastic steps are taken, and this School Committee appears unwilling to take such steps, the School Department will incur a \$40 million deficit.



### Debt & Interest

Attached as Exhibit E is the city's debt position through the year 2000, exclusive of the cost of tax and bond anticipation notes. The city is currently in debt in an amount of \$812 million. The fiscal 1981 obligation of \$90,161,145 is comprised of \$44,010,000 in principal, \$36,296,521 in interest and \$9,854,624 in tax and bond anticipation notes. Debt is a very significant expenditure. It exceeds the expenditure of every department other than the School Department. One positive aspect of the debt situation is that it is topheavy, that is seventy-five percent of it is due in the next ten years and it is a decreasing annual expense as of now. It is expected that the cost of borrowing will increase substantially under Proposition 2 1/2. At the same time the repayment of debt is a fixed obligation. We think it would be wise to avoid borrowing for the time being until the dust has settled from the impact of 2 1/2, especially as it affects the bond market.

### MBTA

The fiscal 1981 expenditure of \$41,211,568 is actually for the operation of the MBTA in calendar year 1979. Boston, as well as other cities and towns, must fight against the imposition of additional costs attributed to MBTA deficits and work towards the imposition of budgetary compliance, management reform, and a reasonable cost of operation. The Mayor must begin to play a leadership role in the present crisis. We do not purport to have the solution to the MBTA situation but with Boston picking up such a large share of operational costs and the city's economy dependent to a significant degree on a public transportation network, we expect more from the Mayor. The Advisory Board, chaired by Mayor White, was well aware that the MBTA, as presently managed, was going to run out of funds. Yes, the City of Boston pays far



too much to subsidize the transit system and there is a significant management issue to address but complaining about the problem or refusing to authorize additional funding doesn't resolve the problem. The Mayor must understand that he is one of those who contributed to the present situation and must therefore take a responsible position to change it.

#### Pensions

Although pensions are a fixed responsibility at present, Boston is looking at a time bomb. The pension system is unfunded and is handled on a pay as you go basis with costs increasing annually. However, at the same time, Mayor White has added to the problem by adding people to the payroll who will be eligible for future pensions. The best way to reduce pension obligations is to reduce employees. In addition to that, it is important to thoroughly review the status of all employees to ensure that pension rights are accurate. One area that merits a great deal of attention is that of disability pensions. These must be reviewed with great care and although there is nothing wrong with granting a disability pension, every effort must be made to document the legitimacy of disabilities and their cause.

#### Overlay Deficit

Each year the city appropriates an amount of money for the possible abatement of taxes. By law that amount must be between 5 - 6% of the net requirements of the amount to be raised by taxation. For several years that amount has been insufficient to cover the cost of abatements. Although some of the shortage is due to so-called clause abatements, the fact of the matter is that Boston's assessing practices are so inequitable that abatements are inevitable. To compound the problem is the fact that this year the city used 5% or \$24,702,348 as the overlay provision. Last year the city used 6% and still ended up with a deficit of \$22,661,580. So it is obvious that this years deficit will be even higher and therefore be carried forward to next





years tax rate.

Fiscal year 1980 deficit

When the city exceeds its budget in a given year the resulting deficit must be made up in the following year. In 1980 the deficit was \$25 million (of which \$9 million was attributed to the School Department). Deficit spending must be eliminated but at the present time the city is facing a \$50-55 million deficit in fiscal year 1981. Most of this deficit will result from school overspending. Not only will the deficit be brought forward, it gives the City the image of creating its own financial problems which, although partially true, detracts from some of the substantial and very legitimate inequities facing the City of Boston.

On the revenue side of the balance sheet the city estimates an increase of only \$11 million in fiscal 1981 which is well short of the \$90 million increase in expenditures, resulting in the amount of money to be raised by taxation to increase by \$79 million. Four revenue items; city department income, revenue sharing, county and school income decreased by over \$9 million. Of the revenue items that increased, Health and Hospitals and motor vehicle excise (which is reduced under Proposition 2 1/2) went up the most. The vigorous new management policies implemented at the Hospital should continue to show increased revenues. State aid also increased, but far less than it did last year.

It is apparent that the city faces some problems with traditional sources of revenue. Motor vehicle excise taxes will be reduced by approximately \$9 million annually and there is considerable doubt as to the future of the Federal Revenue Sharing Program. The city must vigorously pursue the maximization of income from all sources within its control such as licenses and fees and must lobby for legislation which will do such things as rectifying recently enacted legislation which resulted in the State taking an unfair amount of fees resulting from parking and moving violations.



### Deficit Spending

Last year, former Corporation Counsel Joseph Alviani issued a long awaited opinion which determined that overspending was contrary to City Charter provisions and therefore illegal. It was a welcome determination and one which was long overdue because deficit spending had become an acceptable practice in the City. The opinion basically reaffirmed the language of section 16 of the City Charter which states that, "No official of said city, except in case of extreme emergency involving the health or safety of the people or their property, shall expend intentionally in any fiscal year any sum in excess of the appropriation duly made in accordance with law, nor involve the city in any contract for the future payment of money in excess of such appropriation, except as provided in section six of this act. Any official who shall violate the provisions of this section shall be punished by imprisonment for not more than one year, or by a fine of not more than one thousand dollars, or both." Despite that opinion, essentially nothing was done last year to insist on compliance (except that Mr. Alviani no longer works for the city).

Earlier this year the Mayor stated that he intended to end the practice of deficit spending and has informed his department heads that they will be held accountable for their spending practices. Each one of them was required to sign a memorandum of understanding acknowledging their fiscal responsibility. The Mayor also set up a budget monitoring committee, chaired by Deputy Mayor Micho Spring, to keep a close watch on spending and come up with preventive measures where necessary.

Essentially, Ms. Spring is performing a rather basic oversight function and while it is certainly not an innovative idea, it is new to the City of Boston. Performance measurements have been established and the basic goals of each department are to be met within the financial limits imposed budgetarily. A review committee



will evaluate how each department head is performing and if it is determined during the course of the year that goals and/or budgets are not being met then decisions will be made to remedy any problem, including the laying off of city employees. Although the review committee is in place it is not scheduled to begin checking expenditures versus appropriations until the November figures are determined.

The Finance Commission is pleased to see this step being taken but we have several concerns. First of all, five months is too long to wait to begin the detailed look at expenditure levels. Attached as Table F is a four month calculation of expenditures and although we understand that the budget was finalized at a late date and certain departments expend funds on a seasonal, or at least unequal basis, we maintain that expenditures must be reviewed very early in the fiscal year if economies are to be made. It is not difficult to determine which departments will be in financial trouble and one doesn't have to be an expert to understand that action must be taken early if deficits are to be prevented. Based upon our review of expenditures we project a city budget deficit of \$12-15 million which, when combined with a school department deficit of approximately \$40 million, presents serious problems. Although we are pleased to see a stated intent to address this situation, the old axiom of "action speaks louder than words" is very appropriate. The fact is that deficits have been acceptable in past years and until cutbacks are made and department heads are called to task, we wonder whether or not people are taking the Mayor's directive seriously.

One example of a department which has been mismanaged is the Election Department. In August of 1979 the Finance Commission issued a report which criticized the manner in which that department was managed. We cited personnel irregularities, excessive overtime, carrying employees beyond the number allotted, and a very lackluster administrative performance. Supervisor of Budgets William McNeill had also advised the department on the need to cut back. The Election Department is a prime example of the need for strong and innovative management and the present Chairman simply



fails to provide that type of leadership. The Election Department faces a deficit this year. Effective December 1, 1980, all temporary positions were eliminated, which was a step in the right direction. But such a step must be followed up with other actions. Overtime must be reduced and the reality that the department's functions are not steady during the course of the year, therefore paving the way for some needed changes, must be realized. The place to start is at the top. The city doesn't need four supposedly full-time commissioners. It needs one effective full time member and three part time people. The problems here are so obvious that it is just incredible that they haven't been fully addressed.

Past budgetary performance is another key ingredient in addressing fiscal restraint. Any department which has exceeded its budget year in and year out needs some prodding to limit spending. For example, the Police, Fire, Health and Hospitals, Parks and Recreation, and the Library Departments have incurred deficits in each of the past three years. Clearly these departments have not been required to be financially responsible and merit more attention than certain other agencies. At the same time there are other departments (although they are in the minority) which have acted responsibly. The Public Works Department is the best example. Since Joseph Casazza became Commissioner twelve years ago, the Public Works Department has never exceeded its budget. A basic review should be enough to bring immediate attention to those departments which must be reminded that spending habits are going to change.





School Deficit

The projected School budget deficit is a serious problem. Again, there is no doubt that school spending is out of control. Table G shows a ten year history of School spending and not only is it up substantially, the problem of a deficit has existed uncontrolled for five years. In Boston the School Committee has only a limited degree of fiscal autonomy in that it is guaranteed a budget in any year of an amount of not less than the previous years appropriation. What that does is to theoretically give the Mayor a significant amount of control over school spending. He has opted to attempt to keep them at last year's appropriation this year. But a review of Table G will show that budgetary appropriations for the School Department have increased dramatically and the Mayor should have become involved in the problem long before this. The difficulty we see now is that although the Mayor and the School Committee are at odds over the budget, the one approved by the Mayor is not being honored. Not only that, the School Department is spending at a rate which is higher than its own budget proposal. The collision course on school spending needs to be headed off and the Mayor must assume the lead.

We reviewed the report on School Department spending completed by Chamber of Commerce President Herbert Roth Jr., which was done at the request of the Mayor. Roth's general comments on the school budget are interesting. We agree with his opinion that, "There is absolutely no opportunity to hold fiscal 1981 costs at the \$195 million level. There appears to be no hope of holding fiscal 1981 costs at the \$216-220 million level actually spent in fiscal 1980. To attain this, actions would already have had to be completed, such as closing unneeded installations and the layoff of a considerable number of teachers." Roth goes on to say that certain steps should be taken if the \$236 million proposed budget is even to be met and that plans must be immediately implemented if a reasonable budget is to be established and followed. He informed the Mayor in his report that the current expense level cannot be significantly reduced and that the City is going to have to cover a school budget of at least \$235 million (we estimate it to be \$250 million).



The Finance Commission agrees that the growth in school spending must be halted. We believe that the school department's accounting system must be redesigned in order that the City Auditor is able to ascertain actual encumbrances and therefore monitor spending. Further, the Mayor's budget people must become familiar enough with the School budget so that they will be able to identify specific cost centers. At the present time, although the Mayor insists on a lower budget figure, he has not identified areas of possible cost savings. He is also well aware that one third of the fiscal year is behind us, which means that savings are much more difficult to achieve. If the Mayor is to have credibility concerning the integrity of the budget, as well as the financial condition of the city, he ought to insist that municipal spending be kept in line first and second he should agree to a reasonable school budget and then vigorously pursue all steps to insist on budgetary compliance.

Roth's recommendations include:

1. Institute a hiring freeze.
2. Review and implement the October 1979 Unified Facilities Plan.
3. Implement a cost reduction program directed at the \$50 million spent in fiscal 1980 for transportation, utilities, tuitions, supplies, etc.
4. Consider eliminating the no layoff clause in the next union contract.

Roth also argues that an oversight group of prominent citizens be appointed to review school operations. He says that to do this properly, a management audit be performed by professionals which might cost some \$300,000.

The two most important recommendations are the implementation of the Unified Facilities Plan and the no layoff clause. It is obvious to us that, with a decreasing enrollment, schools must be closed. It is not an easy decision to close schools but one that must be made. The same is true for layoffs. With declining enrollments it is unrealistic to agree to no layoff provisions in union contracts. We have



observed instances of classes with fewer than ten children and that is a situation that Boston cannot afford any longer. Not only should the no layoff clause be eliminated but it must necessarily follow that layoffs result because the system has too many teachers for the pupils it services.

Perhaps a study of the problem might help but we think it is far more realistic to establish a team of city and school officials to address this issue. If each side would stop blaming the other and make a concerted effort to understand and then attempt to solve the budgetary problems, then some progress could be achieved. In terms of implementing budgetary control mechanisms, this Commission offers its assistance in integrating the two systems in order that the City Auditor has the capabilities to oversee school spending.

#### Increased Assessments

The assessed valuation of property in the City of Boston was increased this year by just under \$164 million. Without that increase the rise in the property tax would have been \$45.50. However, at the same time, had the assessed valuation increased by \$313,000,000, there would have been no increase in the tax rate. Because of the fact that assessments in the City of Boston are not equitable, whether the additional tax levy is met through an increase in the tax rate, increased assessments or, as was done, a combination of the two, it was impossible to raise the additional money on an equal basis.

The White administration has administered the assessing function in this City in a disgraceful fashion. It was almost ten years ago that the Jacobs Report recommended significant assessing reform. At the time the Mayor stated that he was going to implement those recommendations which were intended to provide equity and streamline the department, yet he failed to do so and has allowed a poor situation to become worse. Now, even with the implementation of revaluation, equitable assessing practices is an almost impossible goal. The Finance Commission reviewed the methodology



and results of the recently increased assessments (see Table H). In terms of total valuation the largest increase came in commercial property where assessments increased by \$55,305,000. On a percentage basis the most significant increase was in R-1's where a 22% increase resulted and of that increase, much can be attributed to increased assessments of buildings recently converted to condominiums.

The Office of Property Equalization (OPE), which was responsible for coming up with the new assessments and is also in charge of the revaluation effort, defends its work. OPE maintains that although properties within a class are still not equitably assessed, that the discrepancies within classes have been reduced. Residential property assessments were arithmetically increased without a site visit to the property. Actual sale prices were analyzed to determine how an individual neighborhood deviated from the mean and if properties were determined to be below it, assessments were increased. Some properties were immediately brought up to the city-wide average while others will be brought up over a three year period. That policy has some merit but would be considerably more valid if properties which were proportionately overassessed were reduced on the same basis. It has been suggested by some that assessments remain unchanged until revaluation is implemented in order that all properties be treated equally. However, to follow such a policy may well create a chaotic situation. For example, consider a house which is assessed at ten percent of its fair market value, or about one half of the city-wide average. If it was brought up to its full value all at once it would, because of the dramatic increase in property taxes, invalidate to some degree the assessment.

OPE utilized an income capitalization process on residential-commercial, commercial, and industrial properties. That process is more exact than that used for residential properties because actual data was sought, use categories established, and a capitalization factor utilized against last years tax rate. Another category, personal property, increased by almost \$22 million, of which \$16 million was assessed to Boston Edison and much of the rest to planes at the airport.







The basic question remains whether increased assessments was a more equitable method of increasing the amount to be raised by taxation than a tax rate increase? There is no easy answer to this question. It is difficult to create equity out of a system that is as inequitable as the one we have in this city. It is also apparent that the present assessments not only treat classes of property differently but also treat property within classes differently and therefore there is merit in the manner in which assessments were increased. In addition, over the next two years, it may assist the revaluation process. At the same time we are convinced that a greater number of abatements will be granted than would have been the case if the increase in the levy had been generated completely through the tax rate. If we are correct then the overlay deficit will increase and be passed on to next years levy.

The inequities in the assessing practices are obvious. The city abates a significant amount of property tax money each year because of that problem. The overlay reserve has been inadequate for years and the city lost a substantial disproportion case in the Tregor decision. We took a look at the assessments for the past two years for all the property on three streets in the South End, West Concord, Rutland, and West Brookline Streets. The attached table (Table I) lists the parcel number, class of property and 1980 and 1981 valuations. We also went out to actually view the properties. The discrepancies are alarming and underline that the chaotic situation/the assessing practices have created. Not only are similar properties assessed differently, the new valuation figures also increased in a curious way. Consider parcels 589 and 590 on West Concord Street which were both assessed at \$5,500 in 1980. Parcel 589 went up \$1,700 to \$7,200 whereas #590 skyrocketed to \$15,000, yet both are of very similar value. Another example involves parcels 585, 586 and 587 on West Concord Street. The assessments range from \$7,200 to \$13,000, yet all three parcels are essentially the same, both inside and out. The same problem exists on Rutland Street. Parcel number 461, an R-4, has the highest value on the street at \$16,500. Parcel number 460, which is a similar building, is



assessed at \$6,400 while the parcel on the other side, #462, is a superior building assessed at \$10,400.

The property assessments on all three streets don't come close to fair market values. Parcel number 595 on West Concord Street, assessed at \$7,200, is on the market for \$185,000.

#### Municipal Audit

There are numerous other factors which affect the city's financial position, one of which is the way the city is managed. Three years ago the city engaged the services of Coopers and Lybrand, certified public accountants, to conduct a three year audit of the City of Boston's finances. It was the first such audit of the city ever done by independent certified public accounts. The audit is basically comprised of two parts, an analysis of the financial position of the city and a management letter or commentary on certain internal accounting controls and other matters. The first two years of that audit, fiscal 1978 and 1979, have been completed. The city was determined, by the Auditor, to be in a sound financial footing which was certainly a positive finding and one which gives people confidence in the city, especially when it enters the bond market. At the same time, the management letter for the first year audit, which covered the period of July 1, 1977 through June 30, 1978 zeroed in on an evaluation of the system of internal accounting controls. It identified ten major areas with 323 separate observations. The ten areas were: real and personal property taxes, employees' compensation, purchases, retirement costs, electronic data processing, Health and Hospitals, intergovernmental revenue, internal auditing, parking ticket revenue and the internal accounting control environment. Many of the comments had important considerations and to the credit of the city, it has addressed and corrected many of Coopers' observation. The Finance Commission reviewed the entire audit and attached as Table J is what we considered to be the most significant problems.



Year two also saw Cooper's give the city a clean bill of health on its financial position and further commented that it was encouraged with the Mayor's commitment of implementing suitable internal accounting controls. Also, in its second management letter, Coopers commented on the need for the implementation of a comprehensive plan of checks and balances and that such a plan should be developed based on the city's budget process. Coopers, in criticizing the integrity of the budget and budget process states that, "if the Administration expects to significantly improve the control environment, the importance of all the dimensions of the budget process and its relationship to the control environment of the City must be instilled in all the participants." The auditors stress the need for tracking actual versus budgeted costs in order to take appropriate action on a timely basis and initiating "stop actions" at the earliest point in time when it is apparent that expenditures will exceed appropriations.

With respect to the operations of the School Committee, Coopers points out, as we have in this report, the need to establish a linkage to the City's central budgeting procedure. The budget must be established by the School Committee and its administration must rest with the Committee, but control is the responsibility of the City Auditor in his capacity as monitor of compliance, with budgetary constraints on an ongoing basis. The Finance Commission is in full agreement with Coopers on this point and until the City implements a mechanism to monitor the School Committee budget, we remain skeptical of the success of <sup>the</sup> Mayor's cry for a renewed attempt to control spending.

A last issue raised in the management letter is that the city's ability to hide actual costs by the inappropriate use of debit transfers and the statutory authority of the City Auditor to effect transfers at year end are practices which circumvent proper controls and contribute to the failure of employing sound internal accounting techniques. The Finance Commission agrees with Coopers analysis but we must acknowledge the fact that year end transfers did not occur in fiscal 1980.



The deficit existed, but there was no attempt to hide the violators. We applaud the fact that year end transfers were not made, a process which is unnecessary, but we hope that the more difficult step of eliminating deficits altogether will be made in fiscal year 1981.

### Conclusions

The financial realities facing the City of Boston this fiscal year even with some remedial steps being taken, present a gloomy picture. The city budget deficit appears to be some \$12-15 million; the school deficit \$40 million; the overlay deficit approximately \$22-30 million and there will be a shortfall of \$4-5 million in the motor vehicle excise revenue. Boston is looking at a potential increase in expenditures of between \$74-85 million and a shortfall of \$4-5 million in revenue and this is before the implementation of 2 1/2.

Many of the expenditures that the city is obligated to meet are out of its direct control and there is no doubt that a lessening of the financial burden to the City of Boston is in order. The MBTA assessment must be controlled; the state must meet its obligations and assume the county costs as provided for in Chapter 478 of the Acts of 1978; the School Committee must recognize that school spending is out of control; and local aid could certainly be increased. But equally important, in our opinion, is the need for the city to get its financial house in order. The White administration must begin to control spending and rid itself of its poor financial image. We think that the process must begin responsibly and without hesitation in areas that are within the Mayor's control. There are encouraging signs that this may be taking place. Although the steps to monitor the budget and limit spending are not particularly innovative, they are basic management actions which







can produce results. The budget process also ought to begin to address the basic problems of the chaotic personnel management situation, recently the subject of a report by the Boston Municipal Research Bureau.

The city faces some difficult decisions both this year and especially in preparing for and implementing Proposition 2 1/2. We hope that the mechanism now in place, albeit modest, will lead to responsible financial decisions. Only then can the City of Boston expect some resolutions of the financial burden<sup>that</sup>/this city unfairly assumes.

#### Recommendations

In order to live within the fiscal 1981 budget, implement Proposition 2 1/2, and restore financial credibility to the city, we recommend the following:

- (1) The Mayor must insist that each department live within its budget, with no exceptions;
- (2) School spending must also be controlled. The School Committee must address itself to the reality that there are too many administrators, too many teachers, and too many school buildings to service a declining student population. It is time to make reductions in all three areas;
- (3) The Mayor and the School Committee should get together to avert a fiscal crisis. At the present time it appears that the School Department will run out of money perhaps as early as March. It makes no sense not to do everything possible to reach a solution to the problem before that time. The Finance Commission offers its services to be a mediator between the two. We agree with Mr. Roth in his report to the Mayor when he said that the School Committee has no chance to live within its budget. We further agree that a hiring freeze be put in effect, the Unified Facilities Plan be implemented and the no layoff provision in the teacher contract be eliminated. We would also like to see the school committee agree to reorganize its internal financial procedures to be compatible with those of the city and offer our services to work with the school department and the city to accomplish that;



(4) It is time to reevaluate the necessity of all contracts entered into by the city, especially those involving consulting services. We have recently, in our review of no-bid contracts, recommended that nine contracts with a combined price tag of \$1,200,821 be scrapped. The Mayor should follow those recommendations and all contracts which come before him for signature must be thoroughly evaluated;

(5) Continue the process of implementing the recommendations of Coopers and Lybrand;

(6) Work towards the full implementation of Chapter 428 of the acts of 1978 which provides for state takeover of court costs;

(7) The Mayor, as chairman of the MBTA, should take the lead in insisting on reduced costs and the implementation of management controls at that.

(8) Provide for the most realistic overlay provision possible. At the same time the completion of the revaluation of all city property should be a priority which will hopefully rectify the inequities in assessing practices in this city.

(9) Reevaluate future borrowing with an eye towards minimizing the city's debt picture.



COMPARISON 1980 & 1981 TAX RATES

<u>Appropriations</u>	<u>1980</u>	<u>1981</u>	<u>VARIANCE</u>
City	323,168,504	355,574,751	32,406,247
County	13,227,924	14,132,394	904,470
School	<u>195,376,995</u>	<u>210,320,920</u>	<u>14,943,925</u>
Sub Total	531,773,423	580,028,065	48,254,642
Debt & Interest	76,491,035	90,161,145	13,670,110
M.B.T.A.	31,004,962	41,211,568	10,206,606
M.D.C.	4,430,009	4,371,790	(58,219)
Other State Assessments	1,607,104	1,895,229	288,125
Pensions	72,618,233	76,295,154	3,676,921
Overlay Deficit	15,587,940	22,661,580	7,073,640
Tax Title Costs	400,000	1,200,000	800,000
FY Deficit	<u>18,270,000</u>	<u>25,000,000</u>	<u>6,730,000</u>
Total Est. Expend.	752,182,706	842,824,531	90,641,825
<u>Revenues</u>			
City Department Income	40,114,143	35,122,821	(4,991,322)
Health & Hospitals Income	<u>63,628,185</u>	<u>75,096,616</u>	<u>11,468,431</u>
Sub Total	103,742,328	110,219,437	6,477,109
County Income	9,125,006	7,196,939	(1,928,067)
School Income	3,079,261	1,868,872	(1,210,389)
Motor Vehicle Excise	<u>10,663,199</u>	<u>14,939,154</u>	<u>4,275,955</u>
Sub Total	126,609,794	134,224,402	7,614,608
State Aid	186,154,054	190,772,984	4,618,930
Revenue Sharing	22,746,756	21,854,093	(892,663)
Parking Meter Fees	<u>2,000,000</u>	<u>2,000,000</u>	<u>- 0 -</u>
Total All Revenues	337,510,604	348,851,479	11,340,875
Net Requirement	414,672,102	493,973,052	79,300,950
Overlay %	24,868,098 6%	24,702,348 5%	(165,750)
Total Raised Taxation	439,540,200	518,675,400	79,135,200
Valuation	1.738	1.902	164
Tax Rate	252.90	272.70	19.80



City Budget Analysis  
January 1, 1970 to June 30, 1980

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Balance Surplus (deficit)</u>
Jan. 1, 1970 to Dec. 31, 1970	\$ 195,825,270	\$ 188,421,242	\$ 7,404,028
Jan. 1, 1971 to Dec. 31, 1971	207,152,907	201,166,872	5,986,035
Jan. 1, 1972 to Dec. 31, 1972	242,517,973	228,194,088	14,323,885
Jan. 1, 1973 to June 30, 1974	334,816,688	327,369,695	7,446,993
July 1, 1974 to June 30, 1975	252,687,553	244,984,713	7,702,840
July 1, 1975 to June 30, 1976	252,492,584	254,202,433	(1,709,849)
July 1, 1976 to June 30, 1977	258,531,355	268,663,743	(10,132,388)
July 1, 1977 to June 30, 1978	284,849,937	300,824,493	(15,974,556)
July 1, 1978 to June 30, 1979	307,636,916	315,429,186	(7,792,270)
July 1, 1979 to June 30, 1980	<u>326,853,309</u>	<u>345,088,894</u>	<u>(18,235,585)</u>
Ten Year Summary	\$2,663,364,492	\$2,674,345,359	(\$10,980,867)

Source: City of Boston Auditing Department.





City Departmental Budget Analysis  
Period July 1, 1977 to June 30, 1980  
(in thousands)

1978	1979		1980		Period Surplus (Deficit)	Note 1 Period Budget Variance %
	Expenditure Balance	Appropriation Expenditure Balance	Expenditure Balance	Appropriation Expenditure Balance		
\$71,411 (\$2,893)	\$74,393	\$77,518 (\$3,125)	\$80,714	\$87,361 (\$6,647)	(\$12,665)	105.66%
58,223 ( 3,403)	57,312	61,273 ( 3,961)	65,692	69,966 ( 4,274)	( 11,638)	106.54%
43,505 ( 3,762)	43,539	44,569 ( 1,030)	45,933	51,817 ( 5,884)	( 10,676)	108.26%
24,370 2,150	30,021	28,723 1,298	30,753	28,650 2,103	5,551	93.64%
9,211 ( 294)	9,417	9,840 ( 423)	10,123	10,476 ( 353)	( 1,070)	103.76%
8,246 ( 246)	8,732	9,207 ( 475)	9,166	9,501 ( 335)	( 1,056)	104.08%
4,919 309	5,869	5,702 167	6,081	6,085 ( 4)	472	97.26%
4,712 98	5,589	6,180 ( 591)	5,361	5,580 ( 219)	( 712)	104.51%
3,332 23	3,504	3,564 ( 60)	3,972	3,688 284	247	97.73%
2,334 ( 250)	2,238	2,274 ( 36)	2,413	2,372 41	( 245)	103.64%
1,586 ( 105)	1,572	1,653 ( 81)	1,663	1,565 98	( 88)	101.89%
420 ( 20)	1,500	1,410 90	2,011	1,931 80	150	96.16%
1,163 ( 288)	1,000	1,943 ( 943)	1,293	2,090 ( 797)	( 2,028)	164.02%
728 ( 4)	709	789 ( 80)	793	772 21	( 63)	102.82%
621 33	721	931 ( 210)	631	635 ( 4)	( 181)	109.05%
66,044 ( 7,323)	61,521	59,853 1,668	60,254	62,600 ( 2,346)	( 8,001)	104.43%
\$300,825 (\$15,975)	\$307,637	\$315,429 (\$7,792)	\$326,853	\$345,089 (\$18,236)	(\$42,003)	104.57%

Department; Fiscal Year 1980 Not Finalized as of this report date.  
 is the percentage of the departmental appropriation expended during the period of July 1, 1977 to June 30, 1980.  
 es Boston City Hospital, Mattapan Chronic Disease Hospital and Long Island Chronic Disease Hospital.  
 Real Property Buildings and Property.  
 City Council and City Council Proceedings.



Suffolk County Budget Analysis  
January 1, 1970 to June 30, 1980

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Balance</u> <u>Surplus</u> (deficit)
Jan. 1, 1970 to Dec. 31, 1970	\$ 16,981,937	\$ 16,954,959	\$ 26,978
Jan. 1, 1971 to Dec. 31, 1971	18,275,814	18,275,074	740
Jan. 1, 1972 to Dec. 31, 1972	20,607,783	20,471,784	135,999
Jan. 1, 1973 to June 30, 1974	33,701,308	33,591,482	109,826
July 1, 1974 to June 30, 1975	25,401,312	25,302,853	98,459
July 1, 1975 to June 30, 1976	26,119,105	28,085,461	(1,966,356)
July 1, 1976 to June 30, 1977	27,988,518	29,743,459	(1,754,941)
July 1, 1977 to June 30, 1978	29,201,425	32,830,983	(3,629,558)
July 1, 1978 to June 30, 1979	32,089,882	35,980,885	(3,891,003)
July 1, 1979 to June 30, 1980	<u>12,041,337</u>	<u>13,173,212</u>	<u>(1,131,875)</u>
Ten Year Summary	\$242,408,421	\$254,410,152	(\$12,001,731)

Source: City of Boston Auditing Department.



City of Boston  
Debt Payable from Tax Levy  
as of June 30, 1980

<u>Fiscal Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>% of Total</u>
1981	\$ 44,010,000	\$ 36,296,521	\$ 80,306,521	9.89
1982	42,355,000	33,116,196	75,471,196	9.29
1983	40,830,000	30,231,744	71,061,744	8.75
1984	39,435,000	27,496,751	66,931,751	8.24
1985	37,820,000	24,837,183	62,657,183	7.72
1986	36,425,000	22,333,389	58,758,389	7.24
1987	35,465,000	19,910,295	55,375,295	6.82
1988	34,455,000	17,517,850	51,972,850	6.40
1989	33,550,000	15,187,645	48,737,645	6.00
1990	31,780,000	12,896,154	44,676,154	5.50
1991	30,425,000	10,741,743	41,166,743	5.07
1992	28,445,000	8,735,879	37,180,879	4.58
1993	23,155,000	6,881,362	30,036,362	3.70
1994	21,355,000	5,271,801	26,626,801	3.28
1995	17,250,000	3,747,564	20,997,564	2.59
1996	13,260,000	2,437,827	15,697,827	1.93
1997	9,605,000	1,508,730	11,113,730	1.37
1998	7,320,000	828,175	8,148,175	1.00
1999	3,085,000	364,830	3,449,830	0.42
2000	1,575,000	113,929	1,688,929	0.21
Total (Note)	\$531,600,000	\$280,455,568	\$812,055,568	100.00%

Note: Principal of \$10,545,000 and interest of \$4,433,068 is reimbursable from the Water & Sewer Commission.

Source: City of Boston Auditing Department.



City Departmental Budget Analysis  
fiscal year 1981  
July 1, 1980 to October 31, 1980

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Table F

<u>Department</u>	<u>Appropriation</u>	<u>Period Expenditures</u>	<u>Note 1 Encumbrances</u>	<u>Balance</u>	<u>Note 2 Balance Available</u>
Health and Hospitals Note 3	\$ 90,457,032	\$ 23,126,845	\$22,121,866	\$ 45,208,321	49.98%
Police	69,468,400	20,830,127	2,899,409	45,738,864	65.84%
Fire	55,007,000	17,200,044	925,111	36,881,845	67.05%
Public Works	34,883,500	8,020,061	10,289,854	16,573,585	47.51%
Library	9,291,500	2,690,028	408,903	6,192,569	66.65%
Parks and Recreation	9,233,503	2,920,599	1,252,079	5,060,825	54.81%
Real Property Note 4	7,185,934	1,722,682	814,751	4,648,501	64.69%
Public Facilities	5,301,408	1,406,771	2,394,962	1,499,675	28.29%
Traffic and Parking	3,948,470	907,204	576,782	2,464,484	62.42%
Property Equalization	3,628,017	606,367	272,061	2,749,589	75.79%
Building	2,489,350	706,216	9,432	1,773,702	71.25%
Data Processing	2,434,700	817,751	1,440,162	176,787	7.26%
Elderly Affairs	2,065,000	701,791	166,122	1,197,087	57.97%
Election	887,180	338,537	53,931	494,712	55.76%
Fiscal Affairs	186,020	101,167	3,527	81,326	43.72%
All others	60,327,094	21,749,147	4,069,843	34,508,104	57.29%
Total Budget	\$356,794,108	\$103,845,337	\$47,698,795	\$205,249,976	57.53%

Note 1: In Governmental Accounting Encumbrances are obligations in the form of purchase orders, service orders and contract commitments which are chargeable to an appropriation and for which a part of the departmental appropriation is reserved. They cease to be encumbrances when paid.

Note 2: These percentages represent the remaining Appropriation unexpended and unencumbered. Any Department under 60% is in danger of overspending.

Note 3: Health and Hospitals includes Boston City Hospital, Mattapan Chronic Disease Hospital and Long Island Chronic Disease Hospital.

Note 4: Real Property includes both Real Property Buildings and Property.





School Budget Analysis  
January 1, 1970 to June 30, 1980

<u>Fiscal Year</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Balance Surplus (deficit)</u>
Jan. 1, 1970 to Dec. 31, 1970	\$ 95,947,165	\$ 93,444,218	\$ 2,502,947
Jan. 1, 1971 to Dec. 31, 1971	109,725,021	107,992,307	1,732,714
Jan. 1, 1972 to Dec. 31, 1972	122,040,472	121,361,500	678,972
Jan. 1, 1973 to June 30, 1974	206,741,133	205,724,182	1,016,951
July 1, 1974 to June 30, 1975	139,536,452	139,146,232	390,220
July 1, 1975 to June 30, 1976	154,928,858	171,099,048	(16,170,190)
July 1, 1976 to June 30, 1977	164,722,276	170,530,160	(5,807,884)
July 1, 1977 to June 30, 1978	172,600,000	174,304,652	(1,704,652)
July 1, 1978 to June 30, 1979	187,000,000	194,546,412	(7,546,412)
July 1, 1979 to June 30, 1980	195,376,995	204,433,441	(9,056,446)*
Ten Year Summary	<u>\$1,548,618,372</u>	<u>\$1,582,582,152</u>	<u>(\$33,963,780)</u>

Source: City of Boston Auditing Department.

\* fy 1980 not finalized as of this report date.



1980 & 1981 ASSESSMENTS

<u>Class of Property</u>	<u>1980 Valuation</u>	<u>1981 Valuation</u>	<u>Increase</u>	<u>Increase %</u>
R-1	\$ 173,760,000	\$ 211,770,000	\$ 38,010,000	21.88%
R-2	110,519,000	115,529,000	5,010,000	4.53%
R-3	97,349,000	99,570,000	2,221,000	2.28%
R-4	207,435,000	210,822,000	3,387,000	1.63%
R-C	74,716,000	85,286,000	10,570,000	14.15%
Commercial	607,045,000	662,350,000	55,305,000	9.11%
Industrial	181,351,000	206,901,000	25,550,000	14.09%
Land	42,068,000	44,281,000	2,213,000	5.26%
Personal Property	243,684,000	265,413,000	21,729,000	8.92%
	<u>\$1,737,927,000</u>	<u>\$1,901,922,000</u>	<u>\$163,995,000</u>	<u>9.44%</u>



Taxable Property Assessment Comparison  
South End Sample

Table I

Street Number	Parcel Number	Property Class	1980 Value	1981 Value	Increase Amount	Increase %
RUTLAND STREET - Ward 9 - note 1						
63	457	R-4	6600	7600	1000	15.15%
65	458	R-4	6600	7600	1000	15.15%
67	459	R-4	5500	6400	900	16.36%
69	460	R-4	5500	6400	900	16.36%
71	461	R-4	14300	16500	2200	15.38%
73	462	R-4	9000	10400	1400	15.50%
75	463	R-4	5800	6700	900	15.52%
77	464	R-4	5800	6700	900	15.52%

WEST CONCORD STREET - Ward 9 - note 2

116	595	R-4	5500	7200	1700	30.90%
118	594	R-3	5500	8800	3300	60.00%
120	593	R-4	5500	7200	1700	30.90%
122	592	R-4	5500	7200	1700	30.90%
124	591	R-4	5500	7200	1700	30.90%
126	590	R-4	5500	15000	9500	172.72%**
128	589	R-4	5500	7200	1700	30.90%
130	588	R-4	5800	7600	1800	31.03%
132	587	R-4	5500	7200	1700	30.90%
134	586	R-4	8900	11600	2700	30.34%
136	585	R-4	10000	13000	3000	30.00%
138	584	R-3	5500	8800	2300	60.00%
140	583	R-3	5500	8800	3300	60.00%
142	582	R-4	5500	7200	1700	30.90%
144	581	R-4	5500	7200	1700	30.90%
146	580	R-4	13000	16900	3900	30.00%
143	515	R-4	5000	6500	1500	30.00%
145	516	R-4	5000	6500	1500	30.00%
147	517	R-4	13100	17100	4000	30.53%

WEST BROOKLINE STREET - Ward 4 - note 3

175	439	R-4	5500	6400	900	16.36%
177	440	R-2	9800	12500	2700	27.55%
179	441	R-2	11500	14700	3200	27.83%
181	442	R-3	7000	95000	2500	35.71%
183	443	R-1	8000	10100	2100	26.25%
176	529	R-2	5500	7000	1500	27.27%
178	528	R-3	8500	12500	4000	47.06%
180	527	R-2	10100	10100		No change
182	526	R-2	14300	18200	3900	27.27%
184	525	R-1	5500	7000	1500	27.27%
186	524	R-2	13200	16800	3600	27.27%
188	523	R-2	6000	8000	2000	33.33%

note 1: Rutland St. consists of brick townhouses primarily R-4's with several smaller buildings on the street. Upon site inspection no significant difference is seen; yet, the properties listed here have a significant valuation difference.

note 2: West Concord St. is similar to Rutland St. and likewise there are no significant differences in the properties. However, the inequity of the valuations is evident as the above sample shows.

note 3: West Brookline St. consists of brick townhouses ranging from R-1's to R-4's. The assessed valuations are also wide ranging and there appears to be a lack of equity in them.



The following comments from the fiscal year 1978 audit of the City of Boston by Coopers & Lybrand are considered by the Finance Commission to be the most important observations of the city's internal accounting procedures.

I. Receipts and Disbursements

- a. Control over bank accounts and petty cash should be strengthened

II. Budgeting and Accounting

- a. The school committee should provide its approved budget to the city auditor on a timely basis
- b. Budgetary control over payroll should be strengthened
- c. Improve budget reporting by encumbering all contracts
- d. Record school department encumbrances at city hall

III. Central Data Processing. Until a concrete DP policy is formulated an overview on hardware purchases should be adopted.

IV. Property Taxes

- a. Establishing a policy of rotating assessors may lead to a better experience base
- b. Correct addresses should be obtained to reduce delays in collecting taxes
- c. Procedures should be instituted to prevent revenue from being lost due to noncollection of 121-A payments

V. Intergovernmental Revenues

- a. Establish uniform procedures and provide training for school department grant administrators
- b. The city auditor should record youth employment service expenditures

VI. Other Revenues

- a. Timely deposits from outlying departments should be required
- b. Parking tags should be under numerical control
- c. Improve efficiency in processing parking tags

VII. Employees' Compensation

- a. Establish an integrated payroll/personnel system
- b. Consider elimination of advance payrolls
- c. Consider elimination of weekly payrolls
- d. Improve timeliness of personnel authorizations
- e. Procedures manual would facilitate payroll processing
- f. Establish procedures for use of time sheets
- g. Federal tax withholding authorization forms should be maintained currently
- h. Microfilming of used checks should be considered





VIII. Purchases

- a. A purchasing procedures manual is needed
- b. Purchasing rather than leasing should be considered for certain equipment
- c. Alternative items should be considered by the purchasing department in awarding contracts
- d. Use public newspapers to advertise for bids
- e. Requests for professional services should be competitively bid in some cases
- f. Pursuit of the lowest bids should not be circumvented
- g. "No Bid" contracts should not be awarded based on insufficient time to advertise
- h. Numerical control should be established over purchase and service orders
- i. Award letters should be originated on a timely basis
- j. Right to audit clause should be incorporated in contracts
- k. Encumbrances should be recorded in the general ledger on a current basis
- l. The propriety of contract amendments should be reviewed
- m. Processing of vendor's invoices should be improved
- n. Expenditures in excess of contract amounts should be investigated

IX. General Long-Term Debt

- a. Greater control should be exercised over cash disbursements for bond redemptions

X. Health and Hospitals

all  
over the



22  
10

